



# Examining Strategies for Building Trust for Microinsurance among Low-income Customer Segments in Uganda

RICHARD MWEBESA  
Facilitator Insurance Training College of Uganda (ITC)  
P.O. Box 4184, Kampala Uganda  
Email: [richardmwebesa707@gmail.com](mailto:richardmwebesa707@gmail.com)

ISIAGI EMMANUEL  
Department of Management and Administrative Sciences  
School of Management and Entrepreneurship  
Kyambogo University  
P.O. Box 1, Kyambogo  
Email: [jemanuel@kyu.ac.ug](mailto:jemanuel@kyu.ac.ug)

A RESEARCH REPORT SUBMITTED TO THE INSURANCE TRAINING COLLEGE OF UGANDA (ITC) FOR A COMPETITIVE RESEARCH GRANT FOR THE YEAR 2022/2023



# Table of Contents

Abstract	1
Introduction	2
Literature Review	4
Theoretical Review	
Empirical Review	
Research Methodology	8
Data Collection and Sample Characteristics	
Data Quality Control	
Data Analysis and Results	10
Data Analysis	
Results	
Strategies for Building Trust for Microinsurance in Uganda	
Discussion of Findings	17
Factors for Low Trust for Microinsurance in Uganda	
Strategies for Building Trust for Microinsurance in Uganda	
Conclusion	
Recommendations	
Ethical Consideration	
References	20
Appendices	23
Appendix 1: The Questionnaire	
Appendix 2: Interview Guide	
Appendix 3: The workplan	

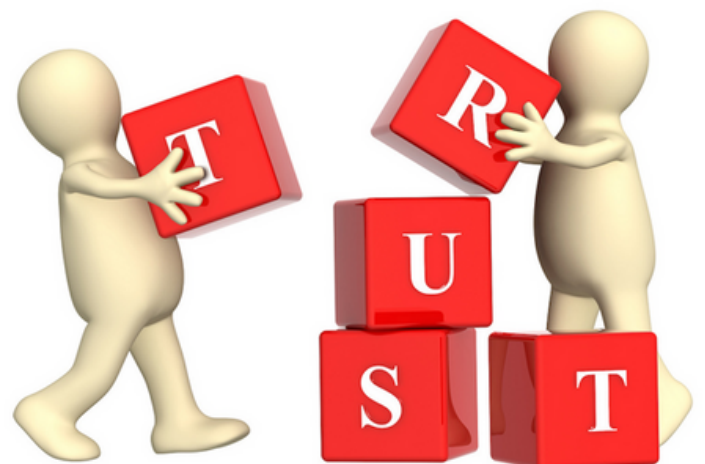
# Abstract

**Purpose:** This study focused on examining strategies for building trust for microinsurance amongst low-income customer segments in Uganda. The specific objectives were; (i) to analyze the factors contributing to low trust for micro insurance and (ii) to establish the key strategies for building trust amongst low income segments.

**Research approach:** The study employed a cross sectional research design following an embedded research method that blends quantitative and Qualitative approaches. Quantitative approach was central to the study. However, due to need to obtain open and wider insights regarding the low trust, a qualitative method was then adopted to obtain elaborative opinions of respondents. Data was collected using a survey method from the sample of 126 Micro insurance customers with experience in Microinsurance Products. Quantitative data was analyzed using descriptive statistics while qualitative data was analyzed using content analysis to provide understanding of trust building mechanisms.

**Findings:** The findings revealed that several factors contribute to deteriorating level of trust among low income customers. However, the most notable 5 factors are; low personal experiences with successful microinsurance claims, slow microinsurance claiming process, lack of clear information about the coverage provided by microinsurance, prioritization of profit over customer benefits, failure by microinsurance providers in Uganda to fulfil their promises. Regarding strategies required to build trust, findings revealed 5 top strategies as; adoption of quick and efficient claims processing, provision of regular updates on successful claims settlements, sharing success stories by policy holders, provision of clear and accessible channels for customers to voice complaints and having a well-defined and easily understandable explanation of product benefits.

**Recommendations:** Insurance firms should enhance transparency by ensuring free flow of communication of policies, terms and conditions, Insurance firms should implement community focused strategies where they involve key focus persons in the community such as local leaders, ensure quick and responsive settlement of claims and microinsurance firms should also invest more in building capacity of their agents.



# 1.0 Introduction

The environment is rapidly changing and becoming highly uncertain (Lee et al., 2022). The world's largest population most especially low-income market segments have become exposed to a wide range of dangers, including illness, unintentional injury or death, property loss from fire or theft, losses in agriculture, and natural and man-made catastrophes (Keohane & Nye, 2020). Low-income segments are less equipped to deal with crises, making them more susceptible to many of these risks (Financial Sector Deepening, 2018). Microinsurance programs have been developed to target people who are underserved by traditional commercial and social insurance providers as well as people who have not yet been catered by insurers based on their needs and risk tolerance (Platteau et.al, 2017).

Global economies began to recognize a growing potential for micro insurance. Countries such as South Africa, enacted an Insurance Act in 2017 with the aim of increasing the penetration of microinsurance. The legislation was very pro-consumer and offered a wide range of advantages and safeguards to defend the interests of the end-user (Huneberg, 2021). However, one thing the enactment has failed to address up to date is building trust amongst end users (National Treasury, 2020). In Uganda, insurers are beginning to realize the potential benefits of micro insurance (Insurance Regulatory Authority, 2019). There is a huge potential market for microinsurance in Uganda. However, the major issue that insurers are grappling with is low trust micro insurance (Kajwang, 2021).

Kiwanuka and Sibindi (2023) note that the public's lack of trust for insurance has persisted which is largely affecting the insurance industry. Whereas micro insurance is introduced to benefit the poor, there has been no smooth ground for insurers to penetrate. Low customer trust has resulted into limited comprehension of microinsurance's advantages hence a bigger rock to climb for insurers (Kiwanuka & Sibindi, 2023). According to Kajwang (2021), failure to build customer trust is likely to leave insurers optimistic rather than exploit the opportunity now when it is ready. In fact, without customer trust, microinsurance will continue to be ineffective in Uganda (Kajwang, 2021).

Since micro-insurance targets the low-income population, which makes up about 41.1% of the population (Uganda National Survey Report, 2020), the insurance industry and the government of Uganda consider it as one of the economic drivers. The insurance industry in Uganda continues to register growth with a reported 21.69% growth in Gross Written Premiums in 2022. The industry has room for growth, especially through microinsurance. However, creating microinsurance beyond credit life presents major challenges for insurers. There is a growing erosion of customer trust in microinsurance which poses the main challenge for microinsurance success in Uganda (Kajwang, 2021).



# 2.0 Literature Review

## 2.1 Theoretical review

This study was underpinned by the Social Exchange Theory that was developed by Homans (1958) and later expanded upon by other sociologists. The theory emphasizes that social interactions are based on a system of mutual benefits and reciprocity. The theory has been widely applied to the context of building customer trust as provides insights into how individuals form trust through repeated interactions and perceived positive outcomes.

According to the Theory, individuals engage in social interactions with the expectation of receiving rewards and minimizing costs (Meira & Hancer, 2021). In the context of building trust, the theory proposes that trust develops over time as customers experience positive interactions with a service provider. These interactions create a sense of reciprocity, where customers develop trust in the provider's ability and willingness to fulfill their expectations. Therefore, the key insight from the theory is that trust is developed through a process of reciprocal exchanges, where customers receive benefits from the provider in return for their commitment and loyalty (Stafford & Kuiper, 2021). Positive interactions create a sense of obligation, fostering trust in the provider's ability to deliver value.

The study by Ruefenacht (2018) applied the Social Exchange Theory when examining the role of satisfaction and loyalty for insurers.

THusband (2020) also in his study on Antecedents to Customer Satisfaction for US Health Insurance Customers utilized the social exchange theory.

The theory has therefore, informed several related studies in the insurance sector which qualifies it to be relevant in informing the current study. The assertions of the Social Exchange Theory can therefore be applied by Micro insurance providers by understanding that provision of prompt and fair claims settlements, communicating transparently about policy terms and coverage, offering personalized support and assistance to address customer needs and fostering long-term relationships through consistent positive interactions can be key in driving customer loyalty and trust.

Therefore, by understanding the principles of the Social Exchange Theory, microinsurance providers can strategically create an environment of trust where customers perceive the benefits of engagement to outweigh any potential costs or risks. Over time, these positive interactions can lead to the establishment of strong and lasting customer trust.

## 2.2 Empirical review

### 2.3.1 Factors for low customer trust for microinsurance

In an empirical study by Cohen and Sebstad (2006), they note that one of the primary reasons for the lack of trust in microinsurance is the perceived lack of transparency in terms and conditions. Microinsurance policies often involve complex wording and fine print that is not easily understood by the policyholders. This complexity can lead to a lack of clarity about what is covered and what is not, causing skepticism and mistrust among potential customers.

According to Cole and Giné (2014), many potential microinsurance customers have a limited understanding of insurance concepts and how insurance products work. This lack of financial literacy can lead to misconceptions and doubts about the value and benefits of microinsurance. Without a clear understanding of how insurance functions, individuals may perceive it as an unnecessary or even suspicious expense.

From another perspective, Rand, Trujillo, and Vargas (2009) established that the major reason for low trust was slow and inefficient claims processing. This was identified as a significant factor eroding trust in microinsurance. Delayed or denied claims can lead policyholders to believe that insurers are intentionally trying to avoid payouts. This perception contributes to the view that insurers prioritize profit over the well-being of their customers, leading to a lack of confidence in the industry. Not only that, Karlan et al. (2014) notes that individuals who have not experienced successful claims settlement may lack trust in microinsurance.

When potential policyholders do not know anyone, who has benefited from insurance coverage, they may question its effectiveness and question whether insurers will fulfill their promises when claims arise.

The World Bank Survey (2012) also established that a lack of strong regulatory oversight in some regions can contribute to the lack of trust in microinsurance. Inadequate supervision and regulation can lead to fraudulent or unethical practices by some insurance providers, reinforcing negative perceptions about the industry's credibility.

### 2.3.2 Trust-building strategies for microinsurance

There is a growing interest in microinsurance but limited attention has been drawn towards building trust for microinsurance. Platteau et al. (2017) note that potential low-income individuals frequently have reservations about microinsurance and are hesitant to pay upfront for services they might not obtain. Matul (2006) also asserts that poor households frequently feel uneasy about pooling resources for microinsurance. It is unlikely that customers who have never used microinsurance products will be confident to try out the available microinsurance products sometimes due to the narrow scope of coverage and high costs associated with handling claims. Whereas, these studies have explored issues in trust, less is known about how the trust gaps can be bridged by the insurers.

The study by Shao and Yin (2019) In an attempt to explore the strategies of building trust contends that focus should be directed towards extending insurance education initiatives to aid in the decision-making of consumers which may be done through creating tools and educational materials that are tailored to the local context and language and explain the advantages of particular microinsurance products to low-income consumers. In support, Agyei, et al. (2020) also urged that the use of positive experiences around "tested" products can be vital in building trust.

This differs from Gogoi (2021) whose view placed more emphasis on the need to offer products that customers value and demand. However, the study listed only health and asset insurance as the major products of reference, and yet demand for such products differs from context to context as indicated by Syahputra and Murwatiningsih (2019). In his argument against value creation as a way of building trust Schneider (2005) asserts that developing products that are valuable for customers may be complex and expensive to deliver which in turn may require increasing prices which is one of the major causes of low trust. Similarly, Chen (2020) asserts that for insurers to build trust, much focus should be on ensuring simple claims procedures and considering flexible premium financing when designing and delivering a product.

Churchill (2007) indicates that for insurers to have a strong connection with customers and build customers' trust in microinsurance, they ought to examine government regulation and work closely with the regulators that are mandated or promote commercial insurers' service of low-income and rural populations.

In his survey of India, South Africa, and the Philippines, it was established that customer trust had been impacted by microinsurance regulations. According to Kajwang (2021), it is not only the involvement of regulators but also other stakeholders that has contributed to increasing confidence and trust for microinsurance amongst low-income segments.

In addition, an empirical study by Mathithibane (2021) on more than 150 insurtech models from developing nations reveals that the majority of the insurers that relied mostly on technological innovations to ensure the effectiveness of insurers' operations won the trust of customers. For instance, firms that use a cloud-based and end-to-end policy management solution, starting from the initiation of the policy, through premium collection to claims processing had their costs lowered and hence won the trust of customers. Similarly, Kiwanuka and Sibindi (2023) found that consumer trust and loyalty increase when technology and human connection are combined. However, whereas technology may be vital, insurers must first comprehend the values and decision-making processes of their customers and focus on how technology can address customer pains and potential hazards.

In the study by Metz et al. (2022), relational strategies and technical strategies have been cited to play a fundamental role in building customer trust.

These include efforts made by organizations to increase the effectiveness, reciprocity, and quality of relationships between organizations and stakeholders. Technical strategies are defined as actions taken to increase trust by showcasing the team's knowledge, dependability, and competence in achieving its objectives. This shows that building trust is a collective responsibility of all employees in an organization.

The study by Lee et al. (2003) on antecedents of trust building for internet used-car transactions emphasizes open, reciprocal communication as a key driver for trust. The study cites a verbal exchange between organizations and customers as key to fostering interpersonal trust. Research shows that open communication enables one person (members of the marketing team) to acknowledge customers' emotions, which pushes customers to devote time and resources to understand marketers' points of view.

From another perspective, Metz et al. (2022) also established that co-learning has a positive effect on trust. They note that when customers converse and listen to each other, they achieve understanding among themselves and are involved in cooperative synthesis which forms knowledge concerning products. Customers will therefore negotiate and cultivate trust and respect for all viewpoints as they participate in co-learning processes, including those who could have lost trust for products because of ignorance about products.

According to the study by Payne et al. (2023) on conceptualizing and building trust, responsiveness has also been cited as a key strategy for building customer trust.

Organizations that encourage productive conversations between customers and the marketing team, encourage additional "asks" from customers involved, and reinforce positive experiences are likely to win customer trust. As a means of showing responsiveness, organizations should ensure flexibility. Flexibility displayed at the organizational, intrapersonal, and initiative levels demonstrates that the marketing team is ready to react to changes in customers' preferences which fosters the development and maintenance of trust.

All in all, existing literature cites a number of strategies that are hypothesized to promote the development of customer trust. What is observed from the literature is that such current studies are few in Uganda. In fact, no study has gathered evidence from microinsurance firms in Uganda. Additionally, the studies seem to vary in their arguments on what are the key contributing strategies. It is therefore on these grounds; the current study seeks to explore the strategies that may apply in the context of Uganda.

All in all, whereas the existing literature provides insight into what insurers need to focus on when building trust for microinsurance, it should be noted that the studies have been conducted in different contexts and their establishments may not apply in the context of Uganda. Besides, very few of these studies provide a systematic analysis of how the strategies can build trust for microinsurance so that customers' pains are addressed, profitability for insurers is achieved and stakeholders' interests are met. This study, therefore, sought to address the gap by obtaining evidence from the customers.

# 3.0 Research Methodology

## 3.1 Data collection and Sample characteristics

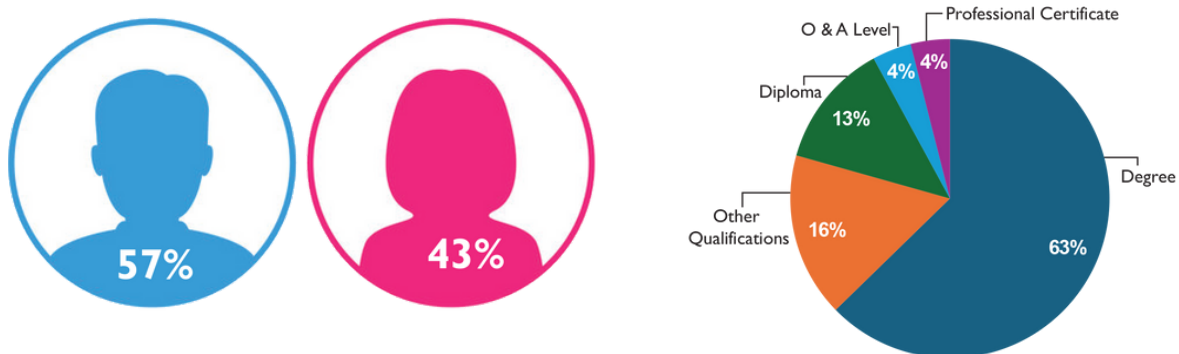
The study conducted a survey a cross a section of respondents from 3 micro insurance companies in Uganda which included Grand Micro insurance, Edge Micro insurance and Turaco Micro insurance. This was basically to draw insights from a sample of 212 low income customers on what could be the factors leading to low customer trust and what strategies can be adopted by micro insurance companies in Uganda. In the process, quantitative and qualitative approaches were blended as a triangulation approach to obtain deeper insights to supplement statistical expressions as supported by (Rahman, 2020). Data was gathered from only customers within Kampala Capital City Authority who were sampled from data base provided by client relationship management department using simple random sampling.

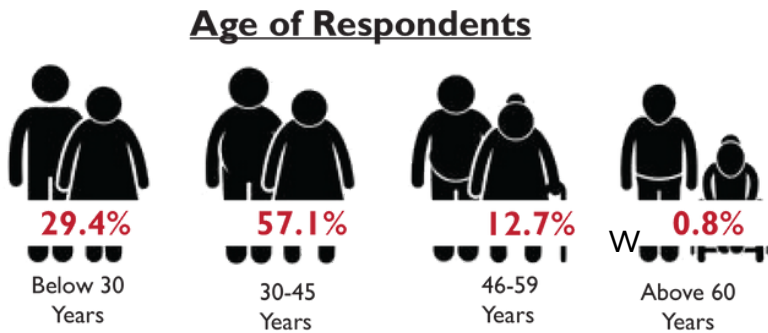
During the survey, both electronically and manually administered questionnaires were used to facilitate data collection. 212 questionnaires were administered by trained research assistants to ensure accuracy. However, only 126 questionnaires were fully answered and returned which constituted a response rate of 59% which was significant enough to proceed with the analysis as supported by Creswell (2013). Based on the responses received from the survey as observed in Table 1 below, regarding gender, the male respondents constituted the majority (57.1%) while female respondents were 42.9%.

In terms of age brackets, 57.1% of the respondents were between 30-45 years, 29.4% were below 30 years, 12.7% were between 46-59 years and only 0.8% of the respondents were above 60 years. Regarding the level of education, the majority of the respondents were degree holders (62.7%), followed by postgraduate or Master (16.7%), 12.7% had diplomas and those with certificates constituted 4.0%. The summary is provided in figure 1 below.

**Figure 1**

*Gender of Respondents and Education levels*



**Figure 2***Age of Respondents*

On the other hand, the study gathered qualitative data through interviews. The key participants in this process were key stakeholders who were selected using purposive sampling. They included, (08) managers from departments of underwriting, claims, marketing and product development of the three microinsurance providers, (05) managers from microinsurance brokers, (05) leaders of customer associations such as market vendors association and last (05) staff from key positions in Insurance Regulatory Authority. The interviews were conducted to ensure that important items are not overlooked during the development of the final questionnaire. Interviews were arranged for at least 30 minutes either face-to-face or by telephone.

### 3.2 Data quality control

As a key step in the validation of the questionnaire, a pilot test was conducted. At this stage, suggestions and comments professors from Kyambogo University, managers, and practitioners were incorporated. Besides, factor analysis was performed to check for common method bias and common latent factors where items with a loading of 0.5 and above were considered for analysis as supported by Taherdoost et al. (2022). For concrete and complete findings, data was checked for completeness. Incomplete questionnaires were discarded to avoid misleading interpretations and discussions.

For interviews, knowledgeable researchers participated in the process. The interviews were recorded to ensure that accuracy was achieved and informative enough to give the required details to understand the phenomenon under investigation.

# 4.0

## Data Analysis and Results

### 4.1 Data analysis

Since the study was examining factors driving low trust and strategies required to build trust, descriptive statistics were used as a form of analysis. The SPSS program was subsequently used to process the data. On the other hand, qualitative data was analyzed using content analysis and the presentation of findings was in themes based on the emerging variables from the study (Mihás, 2019).

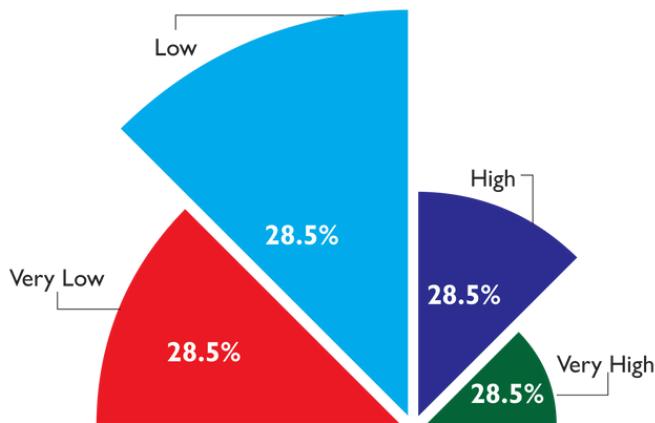
### 4.2 Results

#### 4.2.1 Rating of trust levels

Before understanding what factors drive low trust, the study was interested in establish whether in deed there was low trust for micro insurance among customers in Uganda. Hence, the study gathered data regarding how respondents perceived their level of trust for micro insurance products in Uganda. Findings are presented in Figure 3 below.

**Figure 3**

*How would you rate your current level of trust in microinsurance providers*



The findings reveal that there is very low trust for micro insurance in Uganda where 46.83% of the respondents indicated low level and 28.57% showed very low level. Only 16.67% and 7.94% of the respondents indicated that their level of trust was high and very high respectively. This is a proof that indeed customers have low trust or either lost trust.

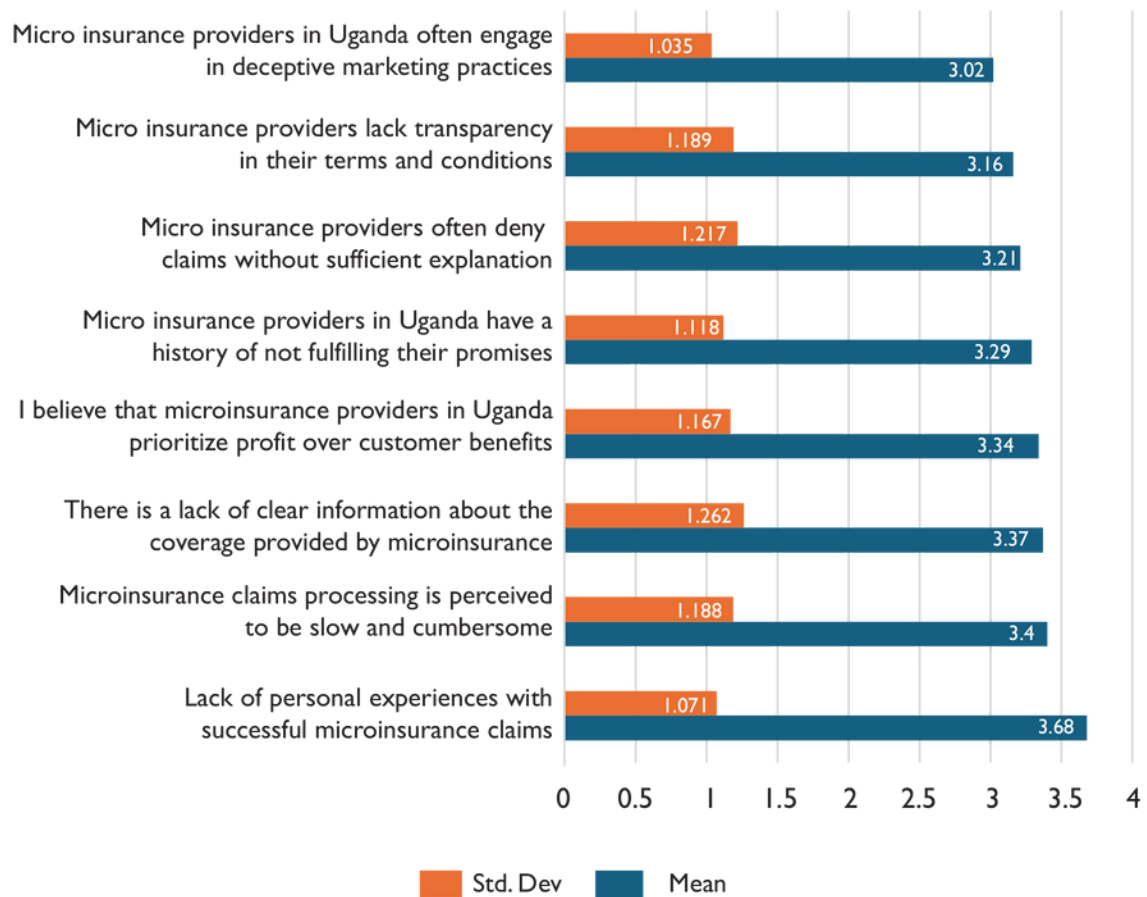
#### 4.2.2 Factors that are contributing to low trust for microinsurance in Uganda

Having established that there was low trust among customers, the study focused on understanding from customer's point of view what they thought are the major factors contributing to low trust for microinsurance in Uganda. Figure 4 below presents the findings.

**Figure 4:**

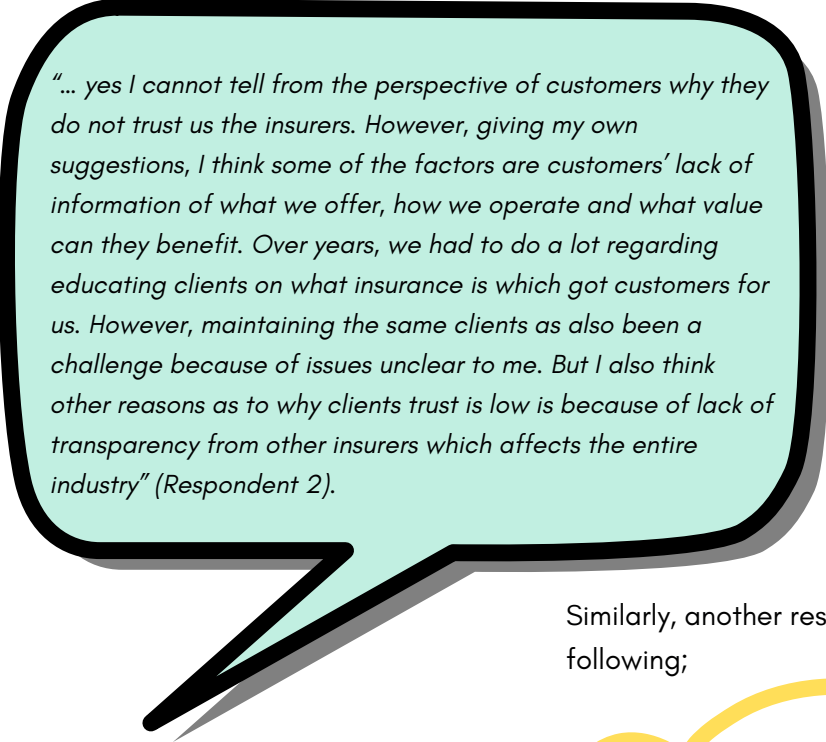
*Factors that contribute to low trust among customers*

DATA ANALYSIS AND RESULTS



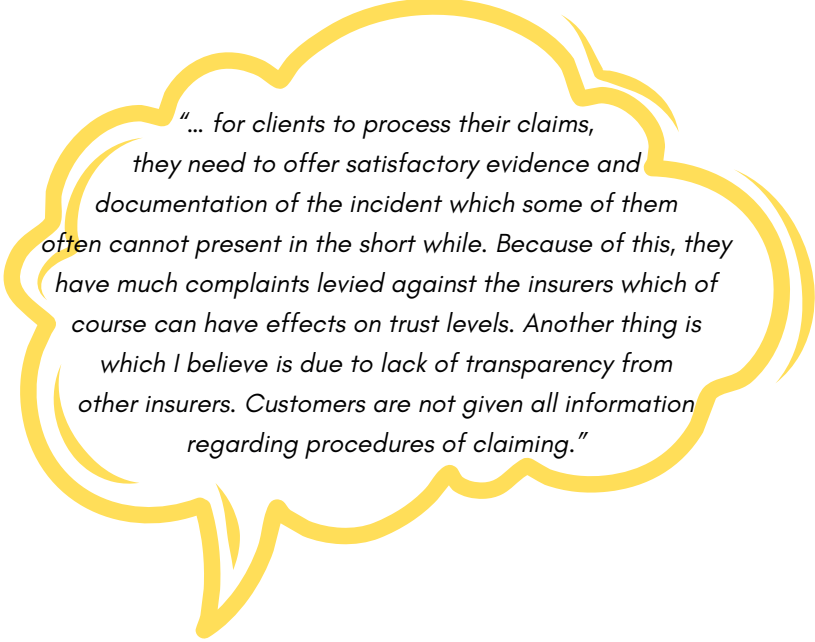
Based on the findings in figure 4 above, from the customers’ perspectives, there are notable reasons as to why customers have lost trust or do not have trust for microinsurance in Uganda. The most stand out factor that has been established according to the findings is lack of personal experiences with successful microinsurance claims (Mean =3.68, and S.D =1.071). When some customers were interviewed they echoed out that the process of claiming is very stringent and out of 12 customers that were interviewed, only 3 registered successful claim process. Besides, another factor which majority of the respondents agreed upon as a contributor to low trust is slow microinsurance claiming process. On average, majority of the respondents indicated that the process is slow and cumbersome (Mean =3.40 and S.D =1.188). When asked whether lack of clear information about the coverage provided by microinsurance is another factor, respondents agreed with a mean of 3.37 and S.D of 1.262).

Additionally as observed in figure 4 above, customers also cited out that why there is low trust for microinsurance is because microinsurance providers in Uganda prioritize profit over customer benefits (Mean =3.34). Respondents also agreed that failure by microinsurance providers in Uganda to fulfil their promises was another factor for low trust (Mean =3.29). When asked whether low trust was as a result of micro insurance providers often denying claims without sufficient explanation, majority of respondents agreed (Mean =3.21 and S.D =1.217). It was also noted that Micro insurance providers lack transparency in their terms and conditions (Mean =3.16) and respondents also agreed that low trust was as a result of engagement of microinsurance in deceptive marketing practices (Mean =3.02).



*"... yes I cannot tell from the perspective of customers why they do not trust us the insurers. However, giving my own suggestions, I think some of the factors are customers' lack of information of what we offer, how we operate and what value can they benefit. Over years, we had to do a lot regarding educating clients on what insurance is which got customers for us. However, maintaining the same clients as also been a challenge because of issues unclear to me. But I also think other reasons as to why clients trust is low is because of lack of transparency from other insurers which affects the entire industry" (Respondent 2).*

Similarly, another respondent also noted the following;

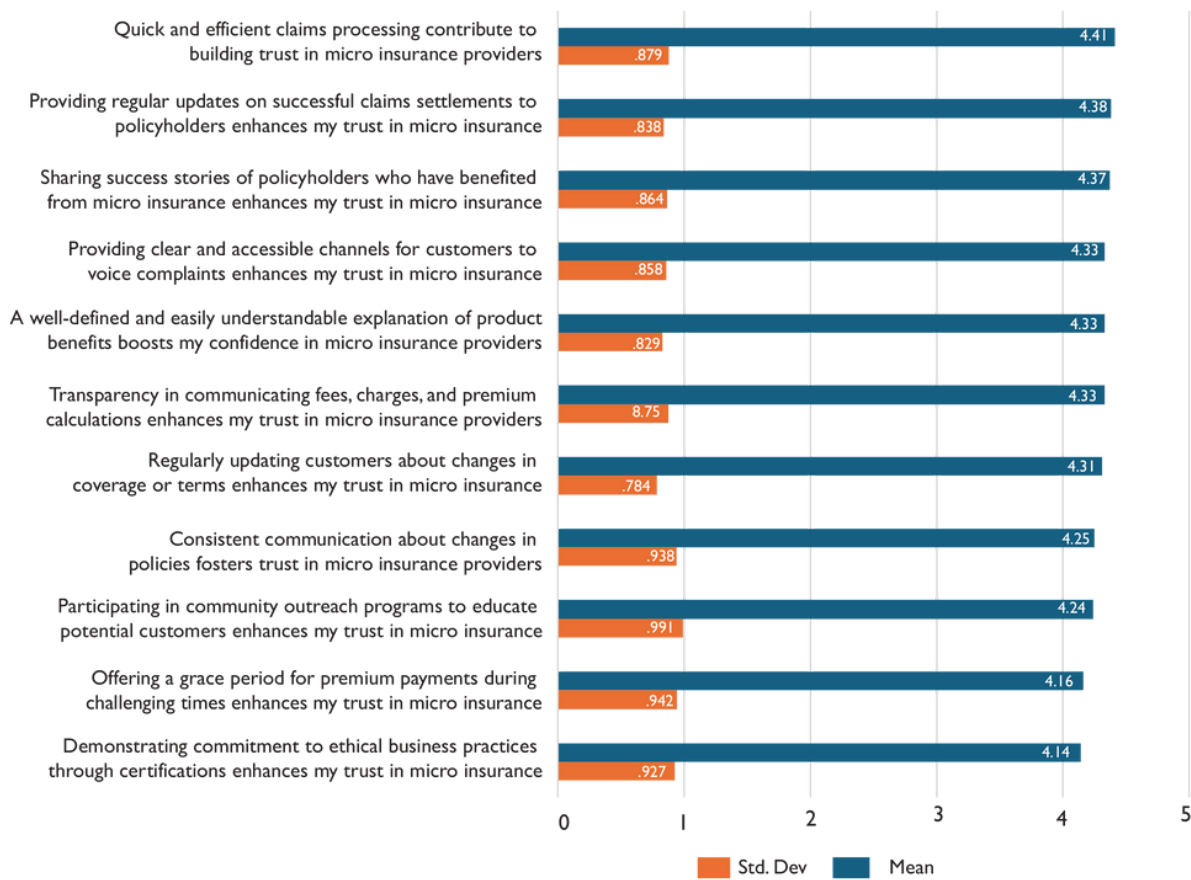


*"... for clients to process their claims, they need to offer satisfactory evidence and documentation of the incident which some of them often cannot present in the short while. Because of this, they have much complaints levied against the insurers which of course can have effects on trust levels. Another thing is which I believe is due to lack of transparency from other insurers. Customers are not given all information regarding procedures of claiming."*

### 4.3 Strategies for building trust for micro insurance in Uganda

The study gathered customers' perceptions on what strategies they feel micro insurance providers should adopt to build trust for micro insurance.

**Figure 5**  
*Trust building strategies for micro insurance*



From the findings in figure 5 above, it is observed that respondents pointed out to several strategies which they perceived to be necessary for building trust for micro insurance. For instance, the key strategy that ranked highest is adoption of quick and efficient claims processing (Mean =4.41). Respondents also agreed that if micro insurance providers provide regular updates on successful claims settlements to policy holders trust would be built (Mean =4.38). Not only that, respondents also agreed that when there is sharing success stories of success stories by policy holders, trust would be enhanced (Mean =4.37). Similarly, respondents also agree that providing clear and accessible channels for customers to voice complaints enhances my trust in micro insurance (Mean =4.33). In the same way, having a well-defined and easily understandable explanation of product benefits is key to building trust (Mean =4.33). Other strategies that respondents cited out are transparency in communicating fees, charges, and premium calculations (Mean =4.33), regularly updating customers about changes in coverage or terms (Mean =4.31), Consistent communication about changes in policies (Mean =4.25), participating in community outreach programs to educate potential customers (Mean =4.24), offering a grace period for premium payments during challenging times (Mean =4.16), demonstrating commitment to ethical business practices through certifications (Mean =4.14).

This finding relates with the detailed discussion from the interviews with the managers that were in agreement with majority of the strategies but rather cited some of the difficulties in achieving. For instance, one of the managers in his opinion noted the following;

*"... Serving micro insurance clients takes a lot. I understand there are some areas we have not been excellent regarding our strategies for building micro trust for micro insurance. For instance, utilization of technology to reach out to customers still has challenges which affect efficiency in processing claims. When we address this, maybe we can win trust. I also agree that our outreach may have been low. Our participation in community activities may have not been largely felt. This is one area that may require our improvement and am in support that for micro insurance to gain trust, insurers may been to go to the grass roots and educate the potential clients"*  
**(Respondent 1).**

In the same line, another respondent also noted that there are a number of strategies that insurers may need to turn out to in order to build trust. For instance, the respondent shared his company/s experiences as follows;

*"... Building trust is much bigger aspect for success in business. Generally, insurance has been one of the services that found very tough ground to penetrate to the hearts of customers. However, in my own experience, our initiatives such as translating the messages to local languages have helped us a little. We have also trained our staff on ethical standards and values. The major complain that was coming from clients was negative attitudes from staff at a time clients needed detailed information regarding our offers. Therefore, I have hopes that when insurers address clients' relations management, trust will be built."*  
**(Respondent 2).**

### **4.3.1 Micro insurance products preferred by clients in Uganda**

The respondents were requested to indicate which micro insurance product they would be interested in buying from any insurer. Table 1 below shows the findings.

**Table 1**

*Micro insurance product previously bought.*

Product		Yes	No	Total	Rank
Health cover	Freq	69.0	57.0	126	1st
	Percent	54.8	45.2	100	
School fees cover	Freq	31.0	95.0	126	2nd
	Percent	24.6	75.4	100	
Property cover	Freq	29.0	97.0	126	3rd
	Percent	23.0	77.0	100	
Funeral products	Freq	17.0	109.0	126	4th
	Percent	13.5	86.5	100	

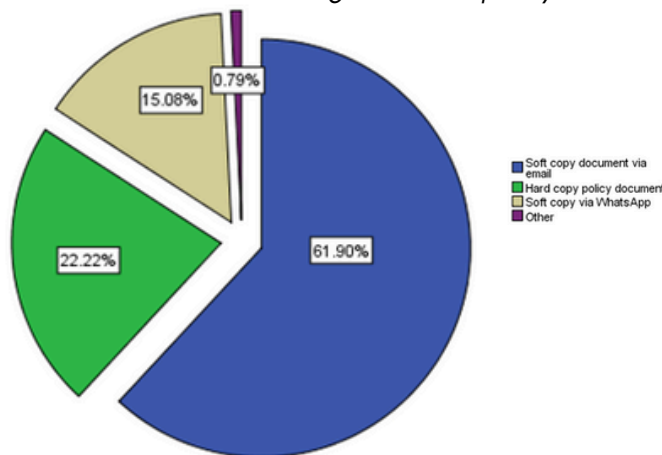
Based on the results in Table 4, it is observed that 54.8% of the respondents are interested in health cover product which ranked as the first. This was followed by school fees cover product where 24.6% are interested in it. For property cover, 23% of the respondents revealed interest while 13.5% showed interest in funeral products. This implies that if type of micro insurance products matter for customers in gaining trust for micro insurance, then health cover products is most preferable for penetrating the market.

**4.3.2 Preferred method of receiving insurance policy documents**

The study required respondents to indicate the most preferred method of receiving insurance policy documents. This would enable to establish whether a mismatch between the method used by insurers and customer’s preference could be affecting trust levels. Figure 6 below shows the results.

**Figure 6**

*What is your convenient method of receiving insurance policy documents.*



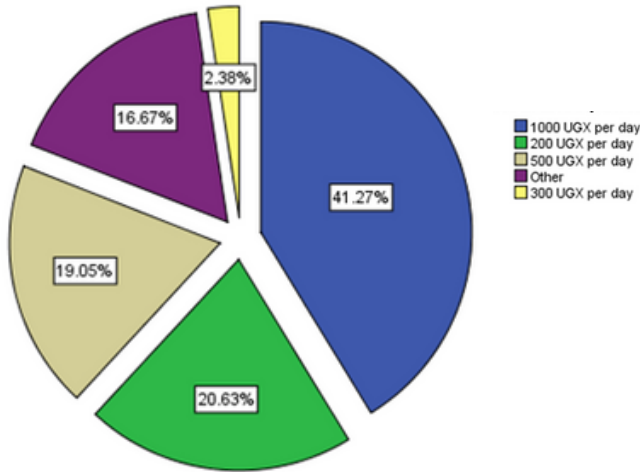
The results presented in Figure 2 above shows that according to the respondents, soft copy documents via email are more preferred with 61.9% respondents agreeing. This was followed by 22.22% who preferred hard copy documents. 15.08% of the respondents prefer softcopy documents via WhatsApp while only .79% prefers other methods like Phone SMS.

### 4.3.3 Amount customers are willing to pay for micro insurance

The respondents were required to indicate how much they would be willing to pay for micro insurance products. Figure 7 below presents the results.

**Figure 7**

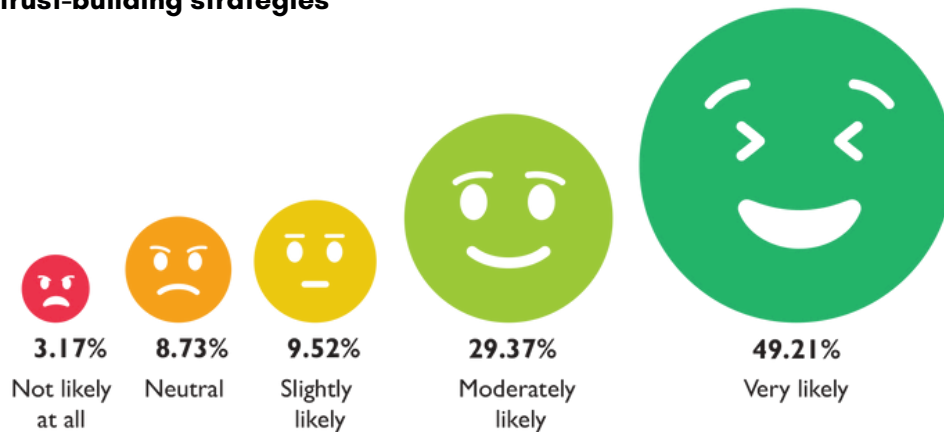
*How much would you be able to put aside to pay microinsurance policies*



According to the results in Figure 8, it is observed that 41.27 of the respondents are willing to pay 1000 shillings per day, 20.63% are willing to pay 200 shillings, 19.05% of the respondents are willing to pay 500 shillings per day, 16.67% are willing to pay other amounts and only 2.38% are willing to pay 300 shillings per day.

**Figure 8**

**How likely are you to recommend a microinsurance provider in Uganda that implements strong trust-building strategies**



According to the figure 5 above, majority of the respondents showed high willingness to recommend only microinsurance providers that build trust of customers (49.21%). In the same way, 29.37% of the respondents showed moderate likelihood to recommend. Only 9.52% of the respondents indicated a slight likelihood and 3.1% showed no likelihood to recommend. This implies that building trust is likely to expand reach for microinsurance since customers are willing to recommend.

# 5.0 Discussion of findings

## 5.1 Factors for low trust for microinsurance in Uganda

Microinsurance plays a fundamental role in providing security for low income earners and underserved population which constitutes over 70% of Uganda's total population. It enables the low-income population to manage unexpected risks. In this case, it is an open opportunity for microinsurance firms to expand their reach and develop products that meet the demands of the low-income customers. However, in Uganda, microinsurance market is still small. Trust levels for microinsurance among low income customers is still very low. The penetration rate is over worrying and the general market size is very small. This study therefore aimed at uncovering key factors that are leading to low trust for microinsurance.

Through this survey, it has been established that trust for microinsurance in Uganda is low because of several factors. The most notable factors that have been identified as key to deteriorating level of trust among low income customers include; lack of personal experiences with successful microinsurance claims, slow microinsurance claiming process, lack of clear information about the coverage provided by microinsurance, prioritization of profit over customer benefits, failure by microinsurance providers in Uganda to fulfil their promises, microinsurance providers denying claims without sufficient explanation, microinsurance providers lack transparency in their terms and conditions and engagement of microinsurance in deceptive marketing practices.

The factors that have been established in this study, have been supported by prior studies. For instance, Cohen and Sebstad (2006), also agreed that the primary reason for the lack of trust in microinsurance is the perceived lack of transparency in terms and conditions. Microinsurance providers have been blamed for their inability to provide clear communication regarding benefits customers can gain from subscribing to a particular product. What customer also argue is that microinsurance providers do not interpret clearly and satisfactorily the terms and conditions for each product which leaves customers green about specific products. In fact, other customers have branded insurance firms as liars and extorters of financial substances from customers.

Not only that, findings of this study concur with Rand, Trujillo, and Vargas (2009) who also established that low trust for microinsurance was largely driven by slow and inefficient claims processing. Karlan et al. (2014) also identified the same factor as a significant factor eroding trust in microinsurance. Similarly, the findings concur with the findings of the World Bank Survey (2012) which cited lack of strong regulatory oversight in some regions as another factor leading to low trust.

Therefore, the findings serve as a warning alarm to insurance providers in Uganda which may need to focus on how each factor can be addressed to widen the market scope for microinsurance in the country. There is a need for insurance firms to take into consideration the clients desires and bridge the gap. In fact, the findings reveal that clients are willing to recommend more potential customers only if there is trust for insurance. It is therefore right time microinsurance firms reflect of the factors established in this study to improve their marketing approaches in order to build trust.

## 5.2 Strategies for building trust for microinsurance in Uganda

It was in this study's interest to establish the key strategies that can be adopted by microinsurance firms in order to build customer trust for microinsurance. The findings have revealed that there are several strategies that customers consider important if insurers are to build back trust.

Among the key strategy is the adoption of quick and efficient claims processing. This agrees with Chen (2020) who emphasized that for insurers to build trust, much focus should be on ensuring simple claims procedures and considering flexible premium financing when designing and delivering a product. Similarly, this study established that provision of regular updates on successful claims settlements to policy holders builds trust which agrees with Agyei, et al. (2020) who in their study also urged that the use of positive experiences around "tested" products can be vital in building trust. Just in the same way, Gogoi (2021) also agrees that offering products that customers value and demand is key to driving trust for microinsurance.

The study also established that provision of clear and accessible channels for customers to voice complaints enhances my trust in microinsurance. This concurs with Kiwanuka and Sibindi (2023) who assert that use of advanced technology and human connection to communicate vital information to customers plays a critical role in enhancing microinsurance trust. There is a lot that insurers should consider reviewing regarding their trust building strategies. Whereas, insurance firms consider they have done a lot to reach out to customers, much should be looked at from customers point of view. This study has provided various patterns in which insurance firms delve into the dynamics of trust building in Microinsurance.

Ultimately, this research contributes to a more comprehensive understanding of trust building mechanisms that are customer oriented and informed by customers desires and demands. The study has established that building trust is paramount for the success of microinsurance in developing countries including Uganda.

## 5.3 Conclusion

Whereas, micro insurance is a key solution to addressing uncertainties faced by low-income individuals, there is a lot that insurers need to focus on so as to build trust. Trust is fundamental to success of any service business especially for micro insurance. From the perspective of customers, insurers should be transparent, ensure efficient processing of claims and carry out more educative initiatives to enable customers understand the value of insurance. This can help in enhancing loyalty and trust for micro insurance.

## 5.4 Recommendations

This study provides the following recommendations to stakeholders such insurance firms and insurance regulators;

Insurance firms should enhance transparency by ensuring free flow of communication of policies, terms and conditions to build trust among low income customers. They should translate the key documents to various local languages to increase information flow and understanding by customers.

Insurance firms should implement community focused strategies where they involve key focus persons in the community such as local leaders, and community heads during the designing and promotion of microinsurance products. This will create a sense of ownership and create cultural connectivity.

There is a need for microinsurance firms to expedite and streamline the claim processing systems, ensure quick and responsive settlement of claims. They should understand that a reliable and efficient claim process is paramount for trust building.

The microinsurance firms should also invest more in building capacity of their agents. The agents should be knowledgeable of how to deal with different customers and be able to communicate effectively to policy holders and reach out to grass root levels.

## 5.5 Ethical consideration

Ethical requirements were upheld throughout the study. The study did not compromise any ethical standard. Permission was sought from the micro-insurance institutions to permit the researchers to use the customer contact list. Customer consent was requested before taking part in the study. Matters of confidentiality were maintained and respondents were assured of the safety of their responses.

## 6.0 References

- Agyei, J., Sun, S., Abrokwah, E., Penney, E. K., & Ofori-Boafo, R. (2020). Influence of trust on customer engagement: Empirical evidence from the insurance industry in Ghana. *SAGE Open*, *10*(1), 2158244019899104.
- Ahuja, R., & Guha-Khasnobis, B. (2005). *Micro-insurance in India: trends and strategies for further extension* (No. 162). Working Paper.
- Biener, C., & Eling, M. (2012). Insurability in microinsurance markets: An analysis of problems and potential solutions. *The Geneva Papers on Risk and Insurance-Issues and Practice*, *37*, 77-107.
- Chen, K. K. (2020). Bounded relationality: how intermediary organizations encourage consumer exchanges with routinized relational work in a social insurance market. *Socio-Economic Review*, *18*(3), 769-793.
- Churchill, C. (2007). Insuring the low-income market: Challenges and solutions for commercial insurers. *The Geneva Papers on Risk and Insurance-Issues and Practice*, *32*, 401-412.
- Cohen, M. J., & Sebstad, J. (2006). "Reducing Vulnerability: The Demand for Microinsurance." *Journal of International Development*, *18*(5), 735-746.
- Cole, S., & Giné, X. (2014). "Barriers to Household Risk Management: Evidence from India." *American Economic Journal: Applied Economics*, *6*(3), 88-120.
- Diamantopoulos, A., Schlegelmilch, B. B., & Halkias, G. (2023). *Taking the fear out of data analysis*. Books.
- Elango, B., Stephen C., and Jim, J. (2019). "Sticking to the social mission: Microinsurance in the bottom of the pyramid markets." *Journal of General Management* *44*, no. 4, 209-219.
- Financial Sector Deepening (2018). *Report on Uptake of Insurance Services in Uganda*.
- Gogoi, B. J. (2021). Customer trust influencing customer perceived value and brand loyalty. *Academy of Marketing Studies Journal*, *25*(5), 1-10.
- Homans, G. C. (1958). Social behavior as exchange. *American Journal of Sociology*, *63*(6), 597-606.
- IRA/Insurance Regulatory Authority (2019). *Annual Insurance Market Report*. Kampala: Insurance Regulatory Authority.
- Jaisa, M. J. S., & Buddika, H. J. R. (2021). Factors determine the demand for microinsurance among low-income households in Galle district.
- Jordan, J. V. (2017). Relational-cultural theory: The power of connection to transform our lives. *The Journal of Humanistic Counseling*, *56*(3), 228-243.
- Kajwang, B. (2021). "Factors Influencing the Uptake of Microinsurance Products." *International Journal of Strategic Management*, *1*, 59-68.
- Karlan, D., Osei, R., Osei-Akoto, I., & Udry, C. (2014). "Agricultural Decisions after Relaxing Credit and Risk Constraints." *The Quarterly Journal of Economics*, *129*(2), 597-652.
- Keohane, R. O., & Nye, J. S. (2020). Globalization: What's new? What's not?(And so what?). *In Making policy happen* (pp. 105-113). Routledge.
- Kiwanuka, A., & Sibindi, A. B. (2023). Insurance Inclusion in Uganda: Impact of Perceived Value, Insurance Literacy and Perceived Trust. *Journal of Risk and Financial Management*, *16*(2), 81.

## REFERENCES

- Lee, H. G., Lee, S. C., & Seong, D. W. (2003). The Antecedents of Trust Building and its Effects on Purchase Intention for Internet Used-car Transaction. *Asia pacific journal of information systems, 13*(2), 119-143.
- Lee, H., Zhen-Jiang, Y. O. N. G., & Qiao-Ming, L. I. M. (2022). Insurance development and economic growth. *Financial Statistical Journal, 5*(1).
- Mathithibane, M. S. (2021). The impact of trust in the developing sector of microinsurance in South Africa.
- Matul, M. (2006). Protecting the poor: *A microinsurance compendium* (Vol. 1). International Labour Organization.
- Meira, J. V. D. S., & Hancer, M. (2021). Using the social exchange theory to explore the employee-organization relationship in the hospitality industry. *International Journal of Contemporary Hospitality Management, 33*(2), 670-692.
- Metz, A., Jensen, T., Farley, A., Boaz, A., Bartley, L., & Villodas, M. (2022). Building trusting relationships to support implementation: a proposed theoretical model. *Frontiers in health services, 2*, 71.
- Mihás, P. (2019). Qualitative data analysis. In *Oxford research encyclopedia of education*.
- Payne, A. L., Stone, C., & Bennett, R. (2023). Conceptualising and building trust to enhance the engagement and achievement of under-served students. *The Journal of Continuing Higher Education, 71*(2), 134-151.
- Platteau, J. P., De Bock, O., & Gelade, W. (2017). The demand for microinsurance: A literature review. *World Development, 94*, 139-156.
- Rahman, M. S. (2020). The advantages and disadvantages of using qualitative and quantitative approaches and methods in language "testing and assessment" research: A literature review.
- Rand, J., Trujillo, M., & Vargas, J. (2009). "Are There Social Spillovers in Consumers' Demand for Insurance?" *Journal of Risk and Insurance, 76*(3), 547-568.
- Roth, J., McCord, M. J., & Liber, D. (2007). The landscape of microinsurance in the world's 100 poorest countries.
- Ruefenacht, M. (2018). The role of satisfaction and loyalty for insurers. *International Journal of Bank Marketing, 36*(6), 1034-1054.
- Schneider, P. (2005). Trust in micro-health insurance: an exploratory study in Rwanda. *Social science & medicine, 61*(7), 1430-1438.
- Schrepp, M. (2020). On the Usage of Cronbach's Alpha to Measure Reliability of UX Scales. *Journal of Usability Studies, 15*(4).
- Shao, Z., & Yin, H. (2019). Building customers' trust in the ridesharing platform with institutional mechanisms: An empirical study in China. *Internet Research, 29*(5), 1040-1063.
- Shukor, S. A. (2020). Trust in takaful agents: antecedents and consequences. *Journal of Islamic Accounting and Business Research, 11*(6), 1161-1174.
- Stafford, L., & Kuiper, K. (2021). Social exchange theories: Calculating the rewards and costs of personal relationships. In *Engaging theories in interpersonal communication* (pp. 379-390). Routledge.
- Stahl, N. A., & King, J. R. (2020). Expanding approaches for research: Understanding and using trustworthiness in qualitative research. *Journal of Developmental Education, 44*(1), 26-28.

## REFERENCES

- Stahl, N. A., & King, J. R. (2020). Expanding approaches for research: Understanding and using trustworthiness in qualitative research. *Journal of Developmental Education*, 44(1), 26-28.
- Syahputra, D., & Murwatiningsih, M. (2019). Building Customer Engagement through Customer Experience, Customer Trust, and Customer Satisfaction in Kaligung Train Customers. *Management Analysis Journal*, 8(4), 350-359.
- Taherdoost, H., Sahibuddin, S., & Jalaliyoon, N. (2022). Exploratory factor analysis; concepts and theory. *Advances in applied and pure mathematics*, 27, 375-382.
- Ticknor, A. S., & Averett, P. (2017). Using relational cultural theory in education research design. *Qualitative Research Journal*, 17(4), 373-384.
- World Bank. (2012). "Microinsurance: Risk Protection for 4 Billion People." Global Partnership on Financial Inclusion. Retrieved from [http://www.afif-global.org/sites/default/files/publications/microinsurance\\_risk\\_protection\\_for\\_4\\_billion\\_people.pdf](http://www.afif-global.org/sites/default/files/publications/microinsurance_risk_protection_for_4_billion_people.pdf)

# 7.0 Appendices

## Appendix 1: The Questionnaire

### Dear Participant,

We invite you to take part in a research study focused on exploring effective strategies for building customer trust in microinsurance services within Uganda. This study aims to support insurance industry players in adopting strategies that enhance trust for microinsurance, ultimately benefiting both providers and customers. Your valuable insights will contribute to the advancement of the microinsurance sector in Uganda. Please rest assured that your responses will remain strictly confidential. Your participation in this study will be anonymous, and your individual responses will not be disclosed to anyone outside of the research team. The data collected will be used solely for research purposes and reported in aggregate. This study is conducted under the supervision of the Insurance Training College of Uganda. If you have any questions or require additional information about the study, its findings, or your rights as a participant, please feel free to contact:

Contact person: Mwebesa Richard  
Tel. 0776-712962/0758-712962  
Email: richardmwebesa707@gmail.com  
Thank you,

### SECTION A; BIODATA

Instructions

For this section, please tick appropriately what applies to you

#### A. Demographic data

1. Gender of respondent

- a) Male                      b) Female

2. Age of respondent

- a) Below 30 years                      b) 30-45 years                      c) 46-59 years  
d) above 60

3. Highest level of Education so far achieved

- a) O & A Level                      b) Professional Certificate                      c) Diploma  
d) Degree                      e) Others specify.....

4. Which microinsurance products have you ever bought? (Please tick all that apply)

- a) Funeral products                      b) Schools fee cover products  
c) Health-related products                      d) Property cover products  
e) Others specify.....

5. What is your convenient method of receiving Insurance policy documents?

- a) Hard copy policy document
- b) Soft copy document via email
- c) Soft copy via wats up
- d) Others specify .....

6. How would you be able to put aside to pay microinsurance policies?

- a) 1000 UGX per day
- b) 500 UGX per day
- c) 300 UGX per day
- d) 200 UGX per day
- e) Others specify .....

7. How would you rate your current level of trust in microinsurance providers?

- a) Very Low
- b) Low
- c) High
- d) Very High

**SECTION B: REASONS FOR CUSTOMER’S LACK OF TRUST IN MICROINSURANCE**

For this section, please indicate your level of agreement with the following statements regarding why customers have low trust in microinsurance in Uganda using a scale provided below.

Strongly Disagree (SD)	Disagree (D)	Not sure (NS)	Agree (A)	Strongly agree (SA)
1	2	3	4	5

<b>Evaluate your knowledge of the following reasons why there is a lack of trust in microinsurance</b>		1 SD	2 D	3 NS	4 A	5 SA
8	Microinsurance providers lack transparency in their terms and conditions					
9	Microinsurance claims processing is perceived to be slow and cumbersome					
10	Microinsurance providers often deny claims without sufficient explanation					

	<b>Evaluate your knowledge of the following reasons why there is a lack of trust in microinsurance</b>	<b>1 SD</b>	<b>2 D</b>	<b>3 NS</b>	<b>4 A</b>	<b>5 SA</b>
11	There is a lack of clear information about the coverage provided by microinsurance					
12	Microinsurance products have hidden fees and charges that are not clearly communicated					
13	Microinsurance providers in Uganda have a history of not fulfilling their promises					
14	I believe that microinsurance providers in Uganda prioritize profit over customer benefits					
15	Microinsurance providers in Uganda do not communicate changes in policies effectively					
16	Microinsurance providers in Uganda often engage in deceptive marketing practices					
17	Cultural beliefs or superstitions that discourage participation in microinsurance					
18	Perceptions that microinsurance is not a reliable way to manage risks					
19	Limited access to information about different microinsurance options					
20	Lack of experience personal experiences with successful microinsurance claims					

### **C. TRUST-BUILDING STRATEGIES FOR MICROINSURANCE**

Please indicate your level of agreement with the following statements about trust-building strategies for microinsurance providers in Uganda. Use the scale of; SD-Strongly Disagree, D - Disagree, NS -Not Sure, A -Agree and SA -Strongly Agree.

	<b>Evaluate your knowledge of the following reasons why there is a lack of trust in microinsurance</b>	<b>1 SD</b>	<b>2 D</b>	<b>3 NS</b>	<b>4 A</b>	<b>5 SA</b>
21	The provision of clear and transparent terms and conditions enhances my trust in microinsurance providers					
22	Quick and efficient claims processing contributes to building trust in microinsurance providers					
23	A well-defined and easily understandable explanation of product benefits boosts my confidence in microinsurance providers					
24	Consistent communication about changes in policies fosters trust in microinsurance providers					
25	Transparency in communicating fees, charges, and premium calculations enhances my trust in microinsurance providers					
26	Providing regular updates on successful claims settlements to policyholders enhances my trust in microinsurance					
27	Offering a grace period for premium payments during challenging times enhances my trust in microinsurance					
28	Providing clear and accessible channels for customers to voice complaints enhances my trust in microinsurance					
29	Participating in community outreach programs to educate potential customers enhances my trust in microinsurance					
30	Demonstrating commitment to ethical business practices through certifications enhances my trust in microinsurance					
31	Regularly updating customers about changes in coverage or terms enhances my trust in microinsurance					

	<b>Evaluate your knowledge of the following reasons why there is a lack of trust in microinsurance</b>	<b>1 SD</b>	<b>2 D</b>	<b>3 NS</b>	<b>4 A</b>	<b>5 SA</b>
32	Sharing success stories of policyholders who have benefited from microinsurance enhances my trust in microinsurance					

How likely are you to recommend a microinsurance provider in Uganda that implements strong trust-building strategies?

1	2	3	4	5
Not likely at all	Slightly likely	Neutral	Moderately likely	Very likely

## Appendix 2: Interview guide

1. What factors contribute to your lack of trust in microinsurance in Uganda?
2. How influential are those factors cited in your decision not to trust microinsurance providers in Uganda?
3. Are there any specific experiences or instances that have contributed to your lack of trust in microinsurance? Please provide details if possible.
4. Can you share an experience where a specific trust-building strategy positively impacted your perception of a microinsurance provider?
5. In your opinion, what additional strategies could microinsurance providers adopt to further enhance customer trust?
6. In your opinion, what steps could microinsurance providers in Uganda take to improve trust and credibility among potential customers?

## Appendix 3: The Work plan

ACTIVITIES	TIME (MONTHS 6)					
	Aug	Sept	Oct	Nov	Dec	Jan
1. Research proposal writing and presentation						
3. Development of research instruments and pilot study						
4. Data collection, data input, data analysis, and writing of the draft report						
5. Compilation and submission of the final report						

